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USSR: Grain Imports, July 1981-June 1982

	Projected Total	Sales and Commitments ^a	Shipped ^b July-December
Total	45.0	38.9	21.8
United States	18.0	12.5	6.2
Canada	8.0	8.0	4.8
Argentina	12.5	12.5	6.9
EC ^c	3.0	2.8	2.1
Australia	1.2	1.2	0.4
Eastern Europe	1.0	1.0	0.7
Other	1.3	0.9	0.7

^a As of 31 December 1981.^b Estimated.^c Including wheat flour and grain equivalent of mixed feed.**Unclassified**

of 458,000 tons of grain to Poland at subsidized prices, some of which probably will be financed by the French loans. During July-December 1981, Warsaw imported 1 million tons of US grain. The US suspension of export credits after the imposition of martial law will prevent Poland from receiving another 1.6 million tons of grain it had requested.

Embargo Scare

Since Warsaw declared martial law on 13 December, grain prices generally have drifted lower, following the trend of the last year and reflecting the abundance of grain in the international market.¹ The US decision to delay negotiations scheduled for February on the US-USSR Long Term Grain Agreement provoked little reaction since the current agreement is still in force until 30 September.

The market sentiment has also been influenced by the knowledge that Soviet and Polish import requirements for the current marketing year largely

¹ Prices were little affected by the embargo declared in January 1980 but only because of the announcement that the US Government would compensate US exporters.

have been met through purchases and commitments. Thus an embargo on future Soviet and Polish purchases might affect only some 8 million tons. Were the United States to also refuse to ship the roughly 6 million tons of US grain bought by the USSR but not yet delivered, some 14 million tons might initially be denied to the USSR and Poland. In either case, a portion of the US grain thus denied could be made up from other sources. Indeed, with expectations of a possible record world grain harvest in MY 1981/82 and falling prices, many other exporters would be anxious to increase sales to the USSR and Poland.

To hurt the Soviets an embargo would have to include all or most major exporters. This was not achieved during the last embargo, and it probably would be even more difficult now. Termination of the US grain embargo on 24 April 1981 prompted major grain exporters to strengthen their commercial ties with the USSR. The EC eliminated restrictions on grain sales to the USSR and announced that in June 1981 it would resume the normal practice of offering price subsidies on grain sales. The Canadians, who had been trying to exploit the US embargo to get better terms on sales to the USSR, signed a five-year long-term agreement (LTA) with Moscow. Buenos Aires, which already had an LTA, began to press Moscow to purchase additional grain; Australia, which had a "customer understanding" to sell grain to the USSR, announced that it, too, hoped to step up its sales.

Moreover, the major exporters have indicated an unwillingness to abrogate commitments already made:

- **Argentina.** No official statements have been made, but traders indicate that Argentina will adhere to its past policy of maximizing sales to the USSR. On 28 December, Buenos Aires sold 1 million tons of mixed grain to Moscow. Traders had not anticipated a sale at this time. At present, about 80 percent of Argentina's grain exports go to the USSR and Poland. Last year, Argentina

Secret

8 January 1982

Secret

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World Grain: Soviet Purchases and the Sanctions Issue

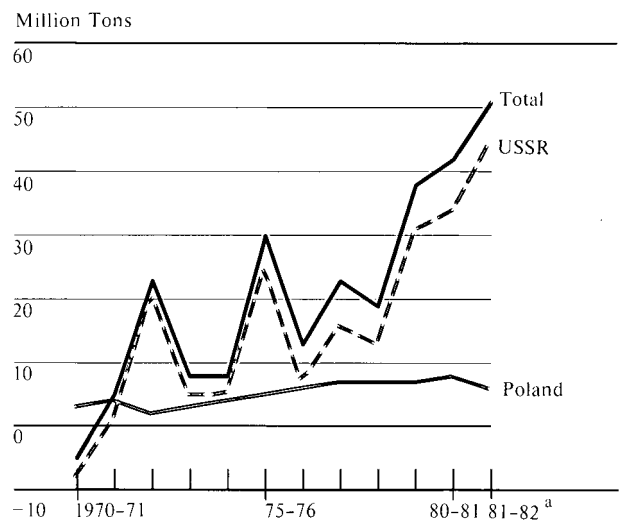
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The international grain market has remained quiet since 13 December 1981 when Poland declared martial law. Moscow and Warsaw are relying heavily on imports of Western grain to cover domestic production shortfalls and have already arranged for at least 85 percent of their requirements through June 1982. Moscow may thus consider itself well insulated against a grain embargo. The unwillingness of non-US grain exporters to support the US embargo imposed following the Afghanistan invasion also provides Moscow with some comfort on the grain supply issue.

Soviet and Polish Grain Purchases

The Soviet Union experienced an unprecedented third consecutive harvest failure in 1981. Although no official announcement has yet been made, the grain crop is expected to be only about 170 million tons—65 million tons below plan. We estimate the Soviets will import a record 45 million tons of grain—the maximum amount their ports can handle—during the current marketing year ending 30 June. They have already purchased or have commitments for 39 million tons of grain. During July-December 1981, the USSR lifted almost 22 million tons, with shipments in September surpassing 4 million tons. This record rate has significantly added to port congestion. Since November, ship offloading times at Baltic Sea ports have increased by five to 10 days to an average 30-to 40-day wait. Moscow has taken delivery of about half of the 12.5 million tons of US grain bought so far, with the remainder to be shipped before April.

USSR and Poland: Net Grain Imports

^a Estimated.

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Poland's grain harvest last fall rebounded after two disastrous years, reaching an estimated 20.5 million tons. Large increases in domestic production of potatoes and sugar beets—important sources of livestock fodder—further reduced the need for imported feed grains. Poland is expected to cut back grain imports by roughly 20 percent from last year's record level to about 6 million tons. Despite difficult times at home, the Soviet Union has promised to deliver 100,000 tons of grain to Poland. France, Austria, and Canada have provided Poland with credits for the purchase of about 2 million tons of grain. In addition, the EC has approved the sale

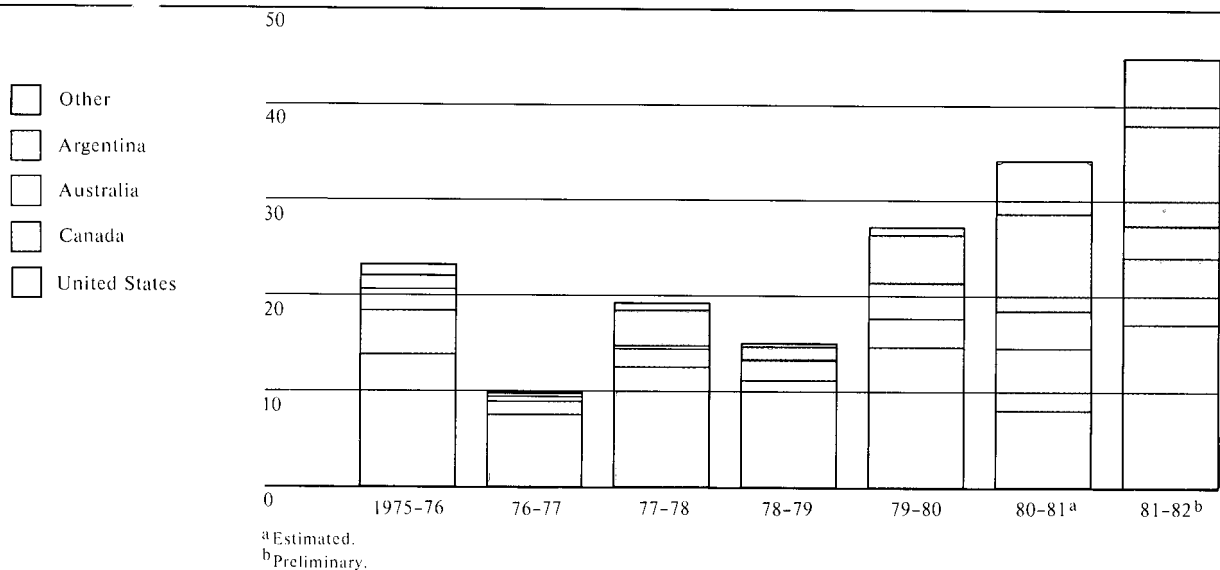
Secret

8 January 1982

Secret

USSR: Grain Imports by Source

Million Tons



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replaced the United States as the single largest supplier of grain to the USSR—accounting for almost 40 percent of Soviet imports. With its crop reduced from last year's record level, Argentina will not be in a position to play as large a role in Soviet grain trade in 1981/82. Sales and commitments of Argentine grain to the USSR now total 12.5 million tons.

- **Canada.** External Affairs Minister Macguigan has announced that Canada will not cancel its long-term concessional grain sales to Poland. The Canadian Wheat Board, however, has refused a Polish request for accelerated delivery and price reductions. The Canadians have also sold about 8 million tons of grain to the USSR to be delivered by 30 September—4 million tons of which are covered by their Long Term Agreement. While Canada may agree to curtail additional sales, it would not likely cancel any current contracts.

- **Australia.** The Australian Wheat Board plans to discuss its policy on grain sales to the Soviet Union at its Farmer Board meeting in Melbourne on 14 January. Australia formally declined to follow the US call for increased trade sanctions against Moscow after martial law was declared in Poland, citing existing sanctions left in place since the Soviet invasion of Afghanistan. The Wheat Board has already sold 1 million tons of wheat to the USSR from the crop now being harvested [redacted]

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Moscow has not shown any concern in its grain trade in the wake of the US sanctions. Indeed, Soviet officials last week threatened to suspend purchases of US corn, but this appears to be a hollow gesture. Even without such purchases from the United States, Moscow likely will import a record 42-43 million tons of grain in the marketing

Secret

8 January 1982

Secret

year ending 30 June 1982. With Soviet ports clogged with ships waiting to unload and ample stocks at low prices awaiting buyers, the USSR was expected to delay additional large purchases until spring. []

Future Soviet Dependence on US Grain

Soviet import requirements during the next few years suggest a continuing need for US grain. Total Soviet grain import requirements will be at least 30 million tons annually for the next two or three years. They could obtain most of these needs from non-US sources if they choose—but probably not in the mix of wheat and coarse grains they have preferred in the past. In recent years, coarse grains have accounted for roughly 60 percent of Soviet grain imports versus 40 percent for wheat. These relative shares likely will be maintained so long as the Soviet leadership pursues efforts to increase livestock numbers []

The United States accounts for roughly two-thirds of world coarse grain exports in a typical year. This, coupled with unsurpassed flexibility in scheduling of grain shipments, makes US grain very important to Soviet planning. US coarse grain output is both much larger than that of any other producer and more reliable. It is also predominantly corn—usually the grain of choice for livestock feeding []

Unless Moscow decides to feed more wheat and barley to livestock, the Soviets will have difficulty avoiding US grain through 1985. In a typical year, the Soviets might be able to obtain the following amounts of corn:

USSR: Existing Non-US Grain Agreements

Argentina (1 January 1980–31 December 1985)

- Authorizes the USSR to purchase from private commercial firms 4 million tons of corn and sorghum and 500,000 tons of soybeans annually.
- Purchases in excess of these quantities will be authorized only after consultation.
- Purchases will be made at prevailing market prices.
- Quantities stipulated in the agreement and additional amounts agreed upon will not be affected by an embargo.

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Canada (1 August 1981–31 July 1986)

- Authorizes the USSR to purchase from the Canadian Wheat Board a minimum of 4 million tons of wheat, barley, and oats in 1981/82. The minimum commitment will increase half a million tons per year to reach 6 million tons in the fifth and last year of the agreement.
- Quantities stipulated in the agreement will include grain shipments to Cuba on Soviet account.
- Prices will be negotiated every six months.
- Quantities stipulated in the agreement will not be affected by any restrictions imposed by the Canadian Government. Unlike the Argentine agreement, additional amounts agreed to by both parties may be subject to embargo.

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Brazil (1 January 1982–31 December 1986)

- Authorizes the USSR to purchase from private firms and cooperatives a minimum of 500,000 tons of soybeans and 400,000 tons of soybean meal annually.
- Beginning in 1983, approximately 500,000 tons of corn will be exported to the USSR annually.
- Prices will be negotiated.

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Secret

8 January 1982

Secret

	<i>Million Tons</i>
Argentina	7.0
Brazil	1.0
Thailand	0.5
Eastern Europe	0.5
Total	9.0

This compares with the roughly 18 million tons of coarse grain they need annually. Argentina offers the greatest possibility as an alternative to US supplies, but the Soviets have not increased their commitment which obligates them to buy 4 million tons of coarse grain per year. Moscow has also agreed to purchase, if available, 500,000 tons of corn from Brazil beginning in 1983. Such small amounts surely help to underscore for Moscow the importance of US corn [REDACTED]

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8 January 1982